HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Vancouver and Abbotsford CMAs

Canada Mortgage and Housing Corporation

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Vancouver Home Starts Trend Down

After six years of high home starts and sales and steadily increasing prices, Vancouver housing activity is moving back to levels consistent with historical averages.

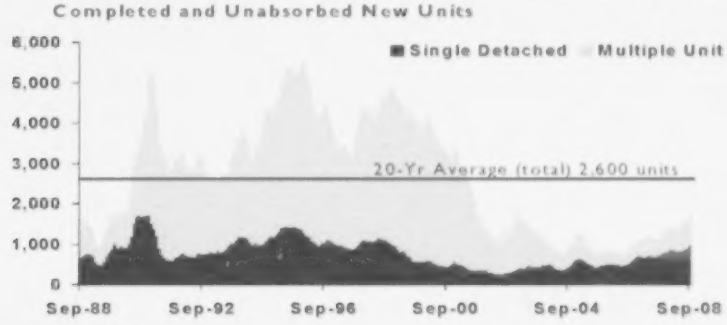
New home starts will moderate this year, but stay at high levels. Apartment condominium construction makes up the majority of new projects. Home starts will decline in 2009. The inventory of unsold new homes is low but has been edging up since last year. Near-record numbers of homes now under construction will bring the inventory of unsold new homes higher as they are completed.

Declining existing home sales and rising home listings have taken the pressure off prices. The average resale home price for the year will be higher than last year due to strength in the early part of 2008.

Figure 1

Number of Unsold New Homes Edging Up

Completed and Unabsorbed New Units



Source: CMHC

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On a monthly basis, prices have been trending down since March[1] of this year and will continue to adjust. Next year, the annual average MLS® price will decline for the first time since 2001.

New Home Construction High but Moderating

Vancouver CMA[2] home starts will stay at high levels this year and next, but will moderate from last year's near record pace. Foundations will be poured for 20,000 homes in 2008, four per cent fewer than last year. New home construction will moderate a further 18 per cent in 2009. Single detached home starts will continue to decline at a faster pace than multiple unit starts.

Home starts will trend lower in response to reduced demand. On the supply side, some builders may choose to put projects on hold until demand improves, and new and existing home inventories shrink. More stringent pre-sale levels and higher equity requirements will hold back multi-family home starts.

Multiple family housing, which includes duplexes, townhouses, and apartments, will continue to dominate new home construction over the next 15 months. Only 20 per cent of all starts will be single detached homes. Apartment condominiums will make up the majority of new projects, with developers concentrating on the less expensive home types that buyers are looking for.

Absorptions (sales) of new homes have moderated since the beginning of the year, reflecting weaker demand for all home types. Demand for apartment and townhouse condominiums is holding up well. For example, so far this year, 98 per cent of completed multiple unit homes were absorbed within the month of completion, for single detached homes this figure was 96 per cent.

The supply of unsold new homes finished and ready for occupancy has been edging up since mid 2006, but remains below the 20 year average level. With a near-record number of homes currently under construction, the inventory of unsold new homes will grow as homes now underway are completed. As new home starts slow in 2009, the supply of unsold units will stabilize.

Figure 2

Supply of Resale Homes Growing

Source: CREA, seasonally adjusted

Vancouver Resale Markets Favour Buyers

MLS® sales in Metro Vancouver[3] have been moving lower since the beginning of 2008. There are several factors that will continue to dampen demand for homes for the remainder of this year and into 2009. The high cost of homeownership is limiting demand, particularly from low equity and first time buyers, but also from investor buyers who will find it difficult to cover monthly mortgage costs with rental income. The recent downtrend in prices should improve affordability, but it is also making investment properties a less appealing option for investors.

By the end of 2008, total MLS® sales of all home types will decline 32 per cent compared to last year. This trend will continue into 2009, but sales will start to pick up later in the year, resulting in four per cent more sales by the end of 2009. Demand for townhouse and apartment condominium homes will hold up better than for single detached homes, as the former are less expensive.

Alongside declining sales, the supply of MLS® listings has been growing since the beginning of 2008. Listings will stay high through 2009, with some homeowners and investors taking advantage of the strong price appreciation of the previous six years. By year-end, the total supply of new MLS® listings in 2008 will be 17 per cent higher than last

year. While listings will oscillate from month to month, look for the number of homes for sale to remain elevated until late 2009.

An ample supply of listings means that the upward pressure is off home prices in the region. Buyers will have more choice and more time to select a home, while sellers can expect their homes to take longer to sell.

Next year will mark the first time since 2001 that the average annual MLS® price in Metro Vancouver markets will decline. The average home price for 2008 will be three per cent higher than last year, due to strong price appreciation in the early part of the year. However, prices have been edging down on a monthly basis since March and will continue to ease in 2009. The average annual MLS® price will decrease by nine per cent next year.

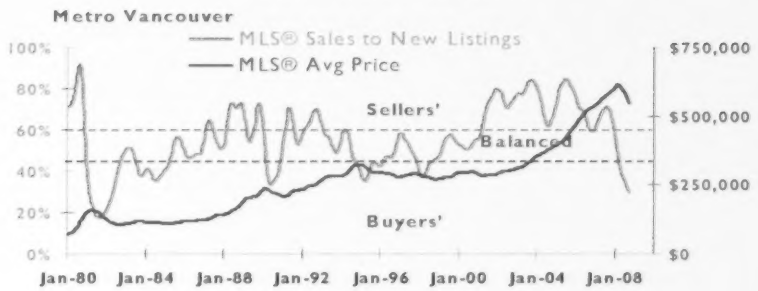
Housing Demand Moderates

While economic growth has moderated slightly from last year, both employment and the population will continue to grow. These factors will feed housing demand through 2009. However, home ownership is expensive and people have lost their appetite for big ticket purchases in light of recent developments.

Vancouver's economy will expand at a slower pace this year compared to 2007, but will regain some strength in 2009. Investment in non-residential construction is contributing to growth now and will contribute to growth in 2009. As of June 2008, there were more than $28 billion worth of major projects proposed for the Mainland / Southwest Development Region and another $30 billion worth of projects that have already begun construction[4]. Some of the larger proposed projects slated to begin in 2009 include: the Interior-Lower Mainland Transmission Line Expansion ($570 million), the Skytrain Expansion – Expo Line ($3.1billion), and the Gateway Program – South Fraser Perimeter Road ($1.0 billion).

Figure 3

Prices Trend Lower



Source: CREA. Trend Cycle generated by CMHC. End Point Sept 2008

Job creation during the first eight months of 2008 has been at a healthy pace of just over two per cent. An additional 25,000 jobs were generated during this period, compared to the same period last year. The average rate of unemployment so far this year is low, at just 4.2 per cent, but has been edging up since March. Job growth has been concentrated in full-time jobs, while part-time employment has been trending lower since March. Full-time job growth will support future housing demand. Look for job growth of one and one half per cent next year.

Vancouver's steady job market and international reputation as a clean, liveable city will assure a steady stream of people moving to the region from other places in Canada and from abroad. The region will gain more than 30,000 people this year and next. Population growth through migration will remain one of the key drivers of housing demand.

The positive influence of job growth and population growth on housing demand will continue to be tempered by the current climate of uncertainty and high home prices.

Mortgage Rates

Mortgage rates are expected to be relatively stable throughout the last quarter of this year, remaining within 25-50 basis points of their current levels. Posted mortgage rates will decrease slightly in the first half of 2009 as the cost of credit to financial institutions eases. Rising bond yields, however, will nudge mortgage rates marginally higher in the latter half 2009. For the last quarter of 2008 and in 2009, the one year posted mortgage rate will be in the 6.00-6.75 per cent range, while three and five year posted mortgage rates are forecast to be in the 6.50-7.25 per cent range.

Abbotsford:

Moderation in the Economy Will Continue

Modest economic growth and moderating job growth will temper housing demand in the Abbotsford CMA, especially from first time home buyers. Full-time job growth in 2008 will be below 2007 levels, while growth in part-time jobs will outpace full-time jobs for the first time since 2003. Overall job growth will come in just under three per cent in 2008, and slow below two per cent in 2009.

The business climate remains strong in Abbotsford. The amount of investment dollars has increased in the region, with permit values up significantly over last year's total for both residential and non-residential developments. Further, both consumer and business bankruptcies are at or slightly below last year's totals and will come in below the five year average.

Job growth and a favourable business climate over the past few years continue to draw migrants into the region. Total migration is expected to be above 2,000 people in 2008 and 2009. Migration into the region will add pressure for housing in the CMA, whether for rental or homeownership.

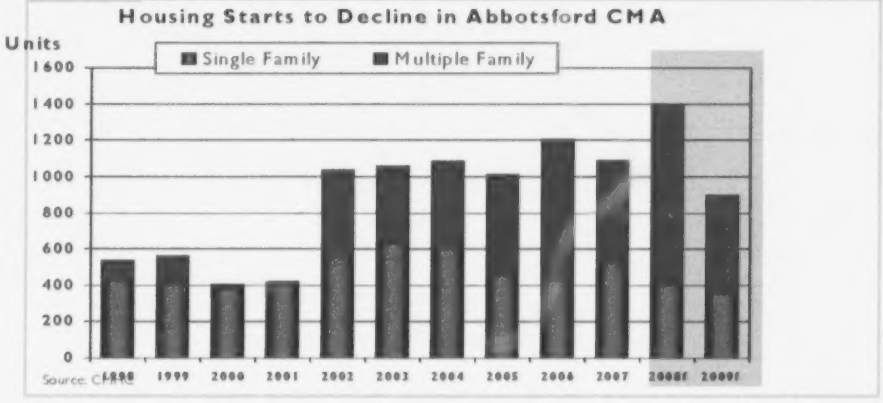
Buyer's Conditions to Remain in the Abbotsford CMA

As with many centres in the province, resales in the Abbotsford CMA have declined in comparison to the high levels in the past year. Resales in the region will finish 2008 over one quarter lower than 2007 totals, and decline a further seven per cent in 2009.

As the number of listings has increased, motivated sellers are accepting lower prices in order to make a sale. The average resale price peaked during the middle of 2008, and has been trending lower as demand and supply conditions changed. For the year, the average MLS® price will be three per cent above the previous year before declining six per cent in 2009.

Sales in the CMA are slowly moving towards multiple family homes based on solid demand for townhouses and apartment condominiums in Abbotsford City. With the average price of an existing single detached house around $450,000, homebuyers, especially first time buyers, are looking at relatively less expensive, higher density housing. Demand for single detached houses is greater in the District of Mission, where prices are fifteen per cent less than Abbotsford City.

Figure 4

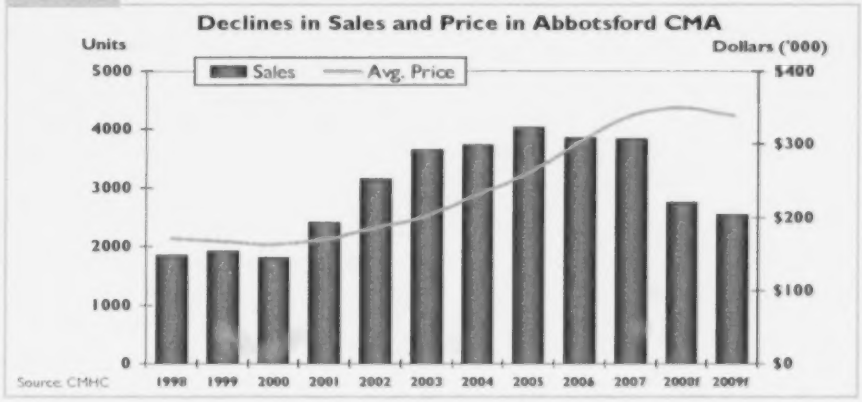


New Construction to Decline in the Abbotsford CMA

After another strong year, housing starts in the Abbotsford CMA will decline as builders respond to softening demand for new homes and increased inventories. Housing starts will reach over 1,400 homes in 2008 and then decline to 900 in 2009.

Multiple family (townhouses and apartment condominiums) home starts will outpace single detached housing starts. Decent pre-sales captured in 2007 have allowed developers to move forward and start a number of multiple family projects during the first half of 2008. Even though multiple family home starts are forecast to decline in 2009, higher density housing will still be the preferred choice among buyers, due mainly to the lower price, location and amenities that these projects provide.

Figure 5



Foot Notes

[1] Seasonally adjusted average MLS® prices. Source: CREA

[2] Census Metropolitan Area. The Vancouver CMA is roughly equivalent to Metro Vancouver, and includes all municipalities from Lion's Bay to Langley.

[3] In this section on the resale market, Metro Vancouver refers to The Real Estate Board of Greater Vancouver (REBGV) board area, which does not include Surrey, Langley, White Rock, North Delta.

[4] Source: Ministry of Technology, Trade and Economic Development, British Columbia Major Projects Inventory.

Forecast Summary Vancouver CMA Fall 2008							
	2005	2006	2007	2008f	% chg	2009f	% chg
Resale Market							
MLS® Sales	42,222	36,479	38,978	26,500	-32.0	27,500	3.8
MLS® New Listings	52,736	54,947	57,145	66,860	17.0	66,000	-1.3
MLS® Average Price ($)	425,745	509,876	570,795	588,000	3.0	535,000	-9.0
New Home Market							
Starts:							
Single-Detached	4,935	5,614	4,211	3,900	-7.4	3,600	-7.7
Multiples	13,979	13,091	16,525	16,100	-2.6	12,900	-19.9
Semi-Detached	714	676	678	700	3.2	650	-7.1
Row/Townhouse	3,281	2,852	2,635	2,300	-12.7	2,000	-13.0
Apartments	9,984	9,563	13,212	13,100	-0.8	10,250	-21.8
Starts - Total	18,914	18,705	20,736	20,000	-3.5	16,500	-17.5
Average Price ($):							
Single-Detached	611,333	710,526	840,045	900,000	7.1	875,000	-2.8
Median Price ($):							
Single-Detached	512,000	585,000	659,900	700,000	6.1	680,000	-2.9
New Housing Price Index (% chg)	4.4	6.9	7.2	4.4	-	-3.0	-
Rental Market							
October Vacancy Rate (%)	1.4	0.7	0.7	0.8	0.1	1.0	0.2
Two-bedroom Average Rent (October) ($)	1,004	1,045	1,084	1,120	-	1,160	-
One-bedroom Average Rent (October) ($)	788	816	846	849	-	874	-
Economic Overview							
Mortgage Rate (1 year) (%)	5.06	6.28	6.90	6.75	-0.15	6.31	-0.44
Mortgage Rate (5 year) (%)	5.99	6.66	7.07	7.05	-0.02	6.92	-0.13
Annual Employment Level	1,155,700	1,187,100	1,222,700	1,247,000	-	1,266,000	-
Employment Growth (%)	2.5	2.7	3.0	2.0	-	1.5	-
Unemployment rate (%)	5.7	4.4	4.0	4.3	-	4.5	-
Net Migration [1]	33,620	31,493	30,102	34,700	15.27	34,400	-0.9

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

(1) 2007 migration data is forecasted

Forecast Summary Abbotsford CMA Fall 2008							
	2005	2006	2007	2008f	% chg	2009f	% chg
Resale Market							
MLS® Sales	4,035	3,854	3,843	2,750	-28.4	2,550	-7.3
MLS® New Listings	4,922	5,418	5,805	6,200	6.8	5,900	-4.8
MLS® Average Price ($)	260,856	303,417	338,976	350,000	3.3	330,000	-5.7
New Home Market							
Starts:							
Single-Detached	458	427	527	400	-24.1	350	-12.5
Multiples	554	780	561	650	15.9	550	-15.4
Semi-Detached	18	10	8	20	150.0	20	0.0
Row/Townhouse	43	89	103	150	45.6	130	-13.3
Apartments	493	681	450	480	6.7	400	-16.7
Starts - Total	1,012	1,207	1,088	1,400	28.7	900	-35.7
Average Price ($):							
Single-Detached	380,360	461,583	517,840	540,000	4.3	550,000	1.9
Median Price ($):							
Single-Detached	355,000	449,000	489,950	500,000	2.1	510,000	2.0
New Housing Price Index (% chg) (B.C.)	5.3	4.8	6.5	6.3	-	5.5	-
Rental Market							
October Vacancy Rate (%)	3.8	2.0	2.1	2.1	0.0	2.3	0.2
Two-bedroom Average Rent (October) ($)	704	719	752	780	-	805	-
One-bedroom Average Rent (October) ($)	560	582	610	635	-	660	-
Economic Overview							
Mortgage Rate (1 year) (%)	5.06	6.28	6.90	6.75	-0.15	6.31	-0.44
Mortgage Rate (5 year) (%)	5.99	6.66	7.07	7.05	-0.02	6.92	-0.13
Annual Employment Level	78,300	82,300	84,800	84,760	3.0	86,710	2.3
Employment Growth (%)	-0.3	5.1	3.0	2.5	-	2.3	-
Unemployment rate (%)	5.5	4.6	4.2	4.5	-	4.5	-
Net Migration [1]	954	781	920	950	3.0	1,000	5.3

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), Fraser Valley Real Estate Board (figures may differ from CREA due to inclusion of only single detached and condo data), Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

(1) 2007 migration data is forecasted

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